

PLEASE NOTE: In most BUT NOT ALL instances, the page and line numbering of bills on this web site correspond to the page and line numbering of the official printed version of the bills.

REFERENCE TITLE: research and development; tax credits

State of Arizona
Senate
Forty-sixth Legislature
Second Regular Session
2004

SB 1370

Introduced by
Senators Giffords, Leff, Waring; Anderson, Arzberger, Bee, Binder, Blendu,
Brotherton, Brown, Cannell R, Garcia, Hale, Mead, Miranda, Mitchell, Rios,
Tibshraeny, Verschoor; Representative Hershberger

AN ACT

AMENDING SECTIONS 43-1074.01 AND 43-1168, ARIZONA REVISED STATUTES; RELATING
TO INCOME TAX CREDITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Section 43-1074.01, Arizona Revised Statutes, is amended to
3 read:

4 43-1074.01. Credit for increased research activities

5 A. A credit is allowed against the taxes imposed by this title in an
6 amount determined pursuant to section 41 of the internal revenue code, except
7 that:

8 1. The amount of the credit is based on the excess, if any, of the
9 qualified research expenses for the taxable year over the base amount as
10 defined in section 41(c) of the internal revenue code and is computed as
11 follows:

12 (a) If the excess is two million five hundred thousand dollars or
13 less, the credit is equal to twenty per cent of that amount OR THIRTY PER
14 CENT OF THAT AMOUNT THAT CONSISTS OF QUALIFIED RESEARCH AT A UNIVERSITY IN
15 THIS STATE.

16 (b) If the excess is over two million five hundred thousand dollars,
17 the credit is equal to ~~five hundred thousand dollars~~ THE AMOUNT COMPUTED
18 UNDER SUBDIVISION (a) plus eleven per cent of any amount exceeding two
19 million five hundred thousand dollars OR TWENTY PER CENT OF THAT AMOUNT THAT
20 CONSISTS OF QUALIFIED RESEARCH AT A UNIVERSITY IN THIS STATE, except that:

21 (i) For taxable years beginning from and after December 31, 2000
22 through December 31, 2001, the credit shall not exceed one million five
23 hundred thousand dollars.

24 (ii) For taxable years beginning from and after December 31, 2001
25 through December 31, 2002, the credit shall not exceed two million five
26 hundred thousand dollars.

27 2. Qualified research includes only research conducted in this state
28 including research conducted at a university in this state and paid for by
29 the taxpayer.

30 3. If two or more taxpayers, including partners in a partnership and
31 shareholders of an S corporation, as defined in section 1361 of the internal
32 revenue code, share in the eligible expenses, each taxpayer is eligible to
33 receive a proportionate share of the credit.

34 4. The credit under this section applies only to expenses incurred
35 from and after December 31, 2000.

36 5. The termination provisions of section 41 of the internal revenue
37 code do not apply.

38 B. If the allowable credit under this section exceeds the taxes
39 otherwise due under this title on the claimant's income, or if there are no
40 taxes due under this title, the amount of the credit not used to offset taxes
41 may be carried forward to the next fifteen consecutive taxable years. The
42 amount of credit carryforward from taxable years beginning from and after
43 December 31, 2000 through December 31, 2002 that may be used in any taxable
44 year may not exceed the taxpayer's tax liability under this title or five
45 hundred thousand dollars, whichever is less, minus the credit under this

section for the current taxable year's qualified research expenses. The amount of credit carryforward from taxable years beginning from and after December 31, 2002 that may be used in any taxable year may not exceed the taxpayer's tax liability under this title minus the credit under this section for the current taxable year's qualified research expenses.

Sec. 2. Section 43-1168, Arizona Revised Statutes, is amended to read:

~~43-1168.~~ Credit for increased research activities

A. A credit is allowed against the taxes imposed by this title in an amount determined pursuant to section 41 of the internal revenue code, except that:

1. The amount of the credit is computed as follows:

(a) Add:

(i) The excess, if any, of the qualified research expenses for the taxable year over the base amount as defined in section 41(c) of the internal revenue code.

(ii) The basic research payments determined under section 41(e)(1)(A) of the internal revenue code.

(b) If the sum computed under subdivision (a) is two million five hundred thousand dollars or less, the credit is equal to twenty per cent of that amount OR THIRTY PER CENT OF THAT AMOUNT THAT CONSISTS OF QUALIFIED RESEARCH AT A UNIVERSITY IN THIS STATE.

(c) If the sum computed under subdivision (a) is over two million five hundred thousand dollars, the credit is equal to ~~five hundred thousand dollars~~ THE AMOUNT COMPUTED UNDER SUBDIVISION (b) plus eleven per cent of any amount exceeding two million five hundred thousand dollars OR TWENTY-ONE PER CENT OF THAT AMOUNT THAT CONSISTS OF QUALIFIED RESEARCH AT A UNIVERSITY IN THIS STATE, except that:

(i) For taxable years beginning from and after December 31, 2000 through December 31, 2001, the credit shall not exceed one million five hundred thousand dollars.

(ii) For taxable years beginning from and after December 31, 2001 through December 31, 2002, the credit shall not exceed two million five hundred thousand dollars.

2. Qualified research includes only research conducted in this state including research conducted at a university in this state and paid for by the taxpayer.

3. If two or more taxpayers, including corporate partners in a partnership, share in the eligible expenses, each taxpayer is eligible to receive a proportionate share of the credit.

4. The credit under this section applies only to expenses incurred from and after December 31, 1993.

5. The termination provisions of section 41 of the internal revenue code do not apply.

B. If the allowable credit under this section exceeds the taxes otherwise due under this title on the claimant's income, or if there are no

1 taxes due under this title, the amount of the credit not used to offset taxes
2 may be carried forward to the next fifteen consecutive taxable years. The
3 amount of credit carryforward from taxable years beginning from and after
4 December 31, 2000 through December 31, 2002 that may be used under this
5 subsection in any taxable year may not exceed the taxpayer's tax liability
6 under this title or five hundred thousand dollars, whichever is less, minus
7 the credit under this section for the current taxable year's qualified
8 research expenses. The amount of credit carryforward from taxable years
9 beginning from and after December 31, 2002 that may be used under this
10 subsection in any taxable year may not exceed the taxpayer's tax liability
11 under this title minus the credit under this section for the current taxable
12 year's qualified research expenses.

13 C. If a taxpayer has qualified research expenses that are carried
14 forward from taxable years beginning before January 1, 2001, the amount of
15 the expenses carried forward shall be converted to a credit carryforward by
16 multiplying the amount of the qualified expenses carried forward by twenty
17 per cent. A credit carryforward determined under this subsection may be
18 carried forward to not more than fifteen years from the year in which the
19 expenses were incurred. The amount of credit carryforward from taxable years
20 beginning before January 1, 2001 that may be used under this subsection in
21 any taxable year may not exceed the taxpayer's tax liability under this title
22 or five hundred thousand dollars, whichever is less, minus the credit under
23 this section for the current taxable year's qualified research expenses. The
24 total amount of credit carryforward from taxable years beginning before
25 January 1, 2003 that may be used in any taxable year under ~~the provisions of~~
26 subsection B and this subsection may not exceed the taxpayer's tax liability
27 under this title or five hundred thousand dollars, whichever is less, minus
28 the credit under this section for the current taxable year's qualified
29 research expenses.

30 Sec. 3. Effective date

31 Sections 43-1074.01 and 43-1168, Arizona Revised Statutes, as amended
32 by this act, are effective and apply to taxable years beginning from and
33 after December 31, ____.